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ABSTRACT

In New York State there is an uneven distribution of wealth and an unequal tax burden among the small city school districts. Because of the tax limits and rising costs for goods and services, many of these school districts have found it difficult to support their educational programs without emergency aid from the state. Such aid is frequently referred to as Hurd Aid because of a 1974 court decision (Hurd v. City of Buffalo), in which the practice of excluding employee benefit costs from the tax limitations was invalidated. The purpose of this paper is to point out some problems in the revenue shortfall approach in identifying the need for Hurd Aid, to explain some of the complexity of school expenditures and revenues, and to suggest other approaches in analyzing the need for Hurd Aid. Three tables illustrate the uneven wealth among the school districts and their relative rankings in their respective counties by operating expenditures and wealth measures. Among specific recommendations for an aid program to small city school districts are that districts demonstrating a tax effort at least equal to the county or regional average tax effort and that have a pupil/staff ratio below the county or regional average should receive a grant to expand educational opportunities for pupils. A glossary is attached. (MLF)

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PROBLEMS IN DETERMINING SCHOOL DISTRICT NEED FOR HURD AID

AND ALTERNATIVES TO THE REVENUE SHORTFALL APPROACH FOR DETERMINING NEED

By

John R. Curley

New York State Education Department
Bureau of Educational Finance Research

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DEFINITIONS OF TERMS

AOE/TAPU	Approved Operating Expenditures are annual operating expenditures and do not include capital outlay and debt service for construction, transportation, payments for educational services from other local or regional educational agencies, federal aid or state aid for special programs. Total Aidable Pupil Units is the adjusted average daily attendance of pupils attending school in the district with additional weightings for pupils with special educational needs, summer school and evening pupils, secondary pupils and dual enrollment pupils.
Income/TWPU	Income is the total income reported for income tax purposes by school district residents. Total Wealth Pupil Units is the adjusted average daily attendance of district resident pupils with additional weightings for pupils with special educational needs, and for handicapped and secondary pupils.
FV/TWPU	Full Valuation, also known as actual value, is determined by dividing the assessed valuation of taxable real property of the district by the equalization rate of the city, town or village in which the property is located.
Excludables	Excludables are budgeted items the appropriations for which do not come under the tax limit. These items include bonds, capital improvements, school bus purchases and other budgeted objects and purposes which have an extended period of probable usefulness.
BANs Aid	Bond Anticipation Notes are temporary but renewable voter approved certificates issued for up to a one year period of time.

The New York State Education Department (SED) has conducted several studies in recent years of special State aid for school districts located in small cities. These school districts are limited in the amount of revenue that can be raised through property taxation.

The State Constitution limits local real property taxes to 2.00% of the school district five-year average full value for school districts located wholly or partially in cities with a population of less than 125,000. However, individual districts have established local tax limits ranging from 1.25% to 2.00% in .25% intervals. The local limit in effect for any particular school district can be increased by increments of .25% up to the maximum of 2.00% if 60% of the voters approve of the increase in a local referendum. All such referenda, for more than the past decade, have been defeated.

Because of the tax limits and rising costs for goods and services, many of these school districts have found it difficult to support their educational programs without emergency aid from the State. Such aid is frequently referred to as Hurd Aid because of a 1974 court decision in Hurd v. City of Buffalo, in which the practice of excluding employee benefit costs from the tax limitation was invalidated. Certain expenditures for items that have a period of usefulness beyond the school year, such as equipment, textbooks and capital improvement are excludables which are not subject to the tax limitation.

State Education Department studies of Hurd Aid to date have focused on expenditures and revenues, with individual school district need for aid being expressed as the shortfall of total operating revenues to meet total operating expenditures in the school year. Operating revenues and expenditures do not include excludables.

The data for these studies comes from a number of source documents which are used according to which are the best available sources for specific categories of expenditure and revenue at the point in time at which the study is initiated. At times, a study may follow the end of a school year and be for the purpose of confirming need. If so, the ST-3 Annual Financial Report, filed by school districts, would be utilized. If the purpose of the study is to determine need in the current year or in advance of the next school year, estimated expenditures and revenues from State aid worksheets are used.

However, there is some question about the efficacy of this method of determining need and there are problems in the collection and interpretation of expenditure and revenue data. A financial approach utilizing totaled amounts may not, in fact, provide a true indication of need in all cases.

School District Expenditures

Under the revenue shortfall approach for determining need, not enough consideration is given to whether high levels of expenditures or high rates of increases in expenditures are appropriate. It may be that some school districts have a high level of expenditures because they provide a wider variety of services than others or have a more generous ratio of teachers or total professional staff to pupils. Other districts may have a larger proportion of pupils with special needs whose education is more costly than for other pupils. Still other districts, in an effort to increase services, might be encouraged under the shortfall approach to estimate operating expenditures at a higher level than they otherwise would, pending legislative decisions on the distribution of aid for a particular year. Enrollment decline, stabilization or increase would also have an effect on expenditures, both in total and on a per pupil basis.

Percent increase of expenditures from year to year may similarly be affected by expansion or contraction of services, change in the composition and size of the student population or a perception that Hurd Aid is, to some extent, dependent on total operating expenditures, regardless of the total increase or the amount per pupil. School district economy measures are not particularly encouraged in the revenue shortfall approach, especially once a district has become an annual recipient of Hurd Aid.

Some districts, however, are reportedly in the position of having to eliminate programs and staff because of the tax limits and a shortage of total revenue, including Hurd Aid. Although the shortfall approach if taken before the end of a particular school year would certainly distinguish these districts from those that are not at the tax limit and which have the luxury of using Hurd Aid to either reduce property taxes or support educational programs, it does not distinguish them from districts that appear to be at their tax limit and which may also have this choice of reducing taxes or supporting educational programs. This is so because the estimates of expenditures which determine shortfall may well be incorrect.

School District Revenues

There is an uneven ability to pay for goods and services among the small city school districts and an unequal tax burden. Property full value and income figures on Table I illustrate the uneven wealth among the school districts located in small cities and the variation in expenditures and pupil/staff ratios which are partially attributable to these differences in wealth.

Table I

DISTRICT NAME	GRANT AMOUNT	YEAR	AOE/TAPU	STAFF PER THOUSAND	PUPIL/STAFF RATIO	FV/TWPU	INCOME/TWPU
Albany	250000	1982-83	2772.76	77.1	13.0	126,476	67,354
	250000	1981-82	2732.72	84.9	11.8	114,386	61,325
	100000	1980-81	2520.81	83.7	12.0	100,102	
Cohoes		1982-83	2149.56	75.5	13.2	54,212	39,731
	310000	1981-82	2010.71	69.1	14.5	46,334	36,536
		1980-81	2008.40	64.3	15.6	40,012	
Watervliet	200000	1982-83	2593.45	63.9	15.6	59,082	50,634
		1981-82	2291.12	70.1	14.3	58,679	45,719
		1980-81	2245.09	68.8	14.5	58,603	
Binghamton	300000	1982-83	2975.52	77.0	13.0	87,739	49,905
	300000	1981-82	2641.16	74.9	13.4	75,724	44,053
	300000	1980-81	2390.42	77.1	13.0	63,445	
Olean	300000	1982-83	2263.24	67.2	14.9	70,622	36,264
	225000	1981-82	2205.89	64.2	15.6	65,269	31,820
	100000	1980-81	2044.81	60.2	16.6	60,132	
Salamanca	150000	1982-83	2072.47	71.9	13.9	39,014	20,280
	150000	1981-82	2084.41	68.0	14.7	34,898	19,145
	100000	1980-81	1981.21	66.7	15.0	30,785	
Auburn	1325000	1982-83	2098.88	67.5	14.8	58,782	36,368
	1750000	1981-82	1954.63	61.1	16.4	54,452	32,902
	1300000	1980-81	2129.38	64.8	15.4	50,533	
Dunkirk		1982-83	2436.05	74.6	13.4	105,776	34,269
		1981-82	2111.15	70.4	14.2	94,739	31,147
		1980-81	2000.91	69.7	14.4	86,536	
Jamestown	350000	1982-83	2408.02	70.6	14.2	52,174	29,184
	225000	1981-82	2081.54	65.4	15.3	46,232	25,726
	100000	1980-81	2106.00	73.2	13.7	42,308	
Elmira	600000	1982-83	2529.16	71.5	14.0	62,567	31,214
	100000	1981-82	2318.77	64.8	15.4	58,318	28,404
		1980-81	2128.08	70.2	14.2	52,847	
Norwich		1982-83	2564.20	66.8	15.0	54,682	29,240
		1981-82	2178.71	77.8	12.9	52,391	26,509
		1980-81	1963.02	67.5	14.8	47,549	
Plattsburgh	300000	1982-83	2654.02	75.0	13.3	80,319	40,805
	350000	1981-82	2361.24	69.7	14.3	69,500	37,190
	300000	1980-81	2121.17	69.1	14.5	55,197	
Hudson	500000	1982-83	2081.49	72.7	13.7	79,377	33,498
	500000	1981-82	2250.01	71.7	13.9	72,251	29,604
	500000	1980-81	2051.77	67.9	14.7	67,171	
Cortland		1982-83	2030.59	64.0	15.6	70,981	30,346
		1981-82	2016.35	66.2	15.1	66,641	28,526
		1980-81	1955.34	69.5	14.4	61,653	
Beacon	650000	1982-83	2697.00	74.3	13.5	73,339	41,260
		1981-82	2375.42	77.4	12.9	69,936	35,860
		1980-81	2142.03	71.5	14.0	66,356	
Poughkeepsie	3500000	1982-83	3099.17	84.3	11.9	66,772	52,083
	3000000	1981-82	2943.49	74.6	13.4	64,048	46,686
	1100000	1980-81	2722.46	81.8	12.2	99,677	
Lackawanna	2100000	1982-83	3158.63	78.0	12.8	83,985	37,194
	2500000	1981-82	2890.99	78.0	12.8	88,482	32,434
	2000000	1980-81	2593.03	75.3	13.3	93,176	

Table I

Tonawanda	400000	1982-83	3127.74	71.6	14.0	66,515	62,271
	400000	1981-82	2558.79	72.4	13.8	57,332	59,874
	400000	1980-81	2366.71	71.4	14.0	47,208	
Gloversville		1982-83	2604.54	73.1	13.7	51,010	29,139
		1981-82	2128.79	67.3	14.9	46,686	25,822
		1980-81	2015.70	64.7	15.5	41,719	
Johnstown		1982-83	2237.83	74.1	13.5	54,581	27,201
		1981-82	1934.01	71.5	14.0	50,408	24,236
		1980-81	1903.00	68.6	14.6	46,635	
Batavia		1982-83	2764.96	73.3	13.6	87,118	41,316
		1981-82	2597.38	83.3	12.0	80,964	37,098
		1980-81	2357.96	76.0	13.2	74,740	
Little Falls		1982-83	2300.57	78.2	12.8	59,787	29,619
		1981-82	2105.89	75.4	13.3	55,890	28,767
		1980-81	2033.02	69.5	14.4	50,497	
Watertown		1982-83	2333.27	62.1	16.1	67,630	34,579
		1981-82	2055.17	60.4	16.6	60,922	32,202
		1980-81	2075.54	63.1	15.9	53,406	
Oneida		1982-83	2085.38	66.0	15.2	47,506	26,395
		1981-82	1976.52	69.4	14.6	45,771	22,925
		1980-81	1723.93	67.9	14.7	41,139	
Stockbridge		1982-83	1952.66	65.9	15.2	39,676	13,980
		1981-82	1729.40	68.6	14.6	31,615	12,123
		1980-81	1736.74	68.0	14.7	26,520	
Amsterdam		1982-83	2577.32	76.6	13.0	68,895	38,184
		1981-82	2383.25	77.4	12.9	62,073	34,238
		1980-81	2217.35	74.2	13.5	55,308	
Glen Cove	1100000	1982-83	3521.13	83.2	12.0	115,694	66,534
	1000000	1981-82	3472.68	82.3	12.1	109,768	60,283
	1000000	1980-81	3235.73	80.7	12.4	101,931	
Long Beach	4300000	1982-83	3704.95	78.3	12.8	92,240	60,024
	3300000	1981-82	3366.97	75.7	13.2	93,114	56,226
	2300000	1980-81	2996.98	77.0	13.0	89,405	
Lockport	100000	1982-83	2261.18	62.2	16.1	79,390	39,747
	100000	1981-82	2043.84	62.0	16.1	71,353	36,170
		1980-81	1930.72	60.1	16.6	64,143	
Niagara Falls	2235000	1982-83	2526.69	71.2	14.1	71,280	37,634
	950000	1981-82	2554.62	67.0	14.9	69,573	33,779
	300000	1980-81	2480.11	66.6	15.0	65,653	
No. Tonawanda	150000	1982-83	2294.98	57.4	17.4	62,406	34,897
	150000	1981-82	2091.25	61.3	16.3	57,311	31,496
	50000	1980-81	2108.85	55.8	17.9	52,104	
Rome	150000	1982-83	2316.97	66.6	15.0	53,108	27,172
	150000	1981-82	1994.74	63.6	15.7	47,858	24,219
		1980-81	1907.73	61.4	16.3	42,504	
Sherrill		1982-83	2112.86	63.5	15.8	50,194	19,740
		1981-82	1974.67	59.7	16.8	47,128	17,895
		1980-81	1807.40	60.3	16.6	42,375	
Utica	350000	1982-83	2291.51	71.1	14.1	62,813	36,190
	350000	1981-82	2178.27	71.6	14.0	60,003	32,341
		1980-81	2045.93	70.3	14.2	53,378	
Westmoreland		1982-83	2592.33	63.8	15.7	48,009	22,227
		1981-82	2102.07	64.9	15.4	43,577	19,675
		1980-81	1980.90	59.1	16.9	38,187	
Oriskany Cen.		1982-83	2276.68	67.8	14.7	49,309	22,398
		1981-82	2025.37	64.2	15.6	44,829	19,173
		1980-81	1871.82	65.6	15.2	40,985	

Table I

Canandaigua		1982-83	2189.02	63.7	15.7	78,609	35,346
		1981-82	2012.52	63.9	15.7	75,161	32,304
		1980-81	1937.40	64.2	15.6	69,634	
Geneva		1982-83	2569.59	77.6	12.9	80,467	40,512
		1981-82	2355.49	80.3	12.5	73,335	36,591
		1980-81	2286.81	73.9	13.5	64,999	
Middletown	1500000	1982-83	2751.78	68.1	14.7	65,835	35,412
	1300000	1981-82	2451.83	67.8	14.8	64,176	32,182
	1000000	1980-81	2285.33	66.4	15.1	60,811	
Newburgh	4300000	1982-83	3193.14	65.3	15.3	57,149	30,826
	3800000	1981-82	2576.38	70.9	14.1	54,303	27,897
	3700000	1980-81	2397.44	72.6	13.8	52,093	
Port Jervis	400000	1982-83	2369.00	63.3	15.8	63,977	25,254
	300000	1981-82	1973.96	60.2	16.6	59,519	23,194
		1980-81	1902.09	60.7	16.5	55,395	
Fulton	1200000	1982-83	2563.55	69.1	14.5	64,611	27,926
	680000	1981-82	2191.49	68.2	14.7	61,715	24,881
	300000	1980-81	2063.30	68.5	14.6	56,522	
Oswego		1982-83	2865.84	68.5	14.6	300,156	35,604
		1981-82	2751.51	68.7	14.5	208,301	30,966
		1980-81	2779.43	69.1	14.5	174,761	
Oneonta	250000	1982-83	2689.20	76.0	13.2	82,881	37,881
	300000	1981-82	2270.41	79.3	12.6	72,133	33,050
	300000	1980-81	2159.99	74.9	13.3	65,750	
Lansingburgh		1982-83	2420.32	68.7	14.6	48,370	32,101
		1981-82	2248.60	65.4	15.3	44,303	28,610
		1980-81	2049.03	63.5	15.7	41,652	
Rensselaer	100000	1982-83	2353.26	79.4	12.6	51,005	37,260
	800000	1981-82	2122.19	82.0	12.2	48,749	32,841
	800000	1980-81	1881.55	77.9	12.8	46,803	
Troy	1500000	1982-83	2749.85	75.3	13.3	48,901	40,337
	850000	1981-82	2439.81	73.3	13.6	45,260	36,703
		1980-81	2299.02	72.0	13.9	42,440	
Lisbon		1982-83	2195.28	80.3	12.5	41,676	17,157
		1981-82	2186.41	75.1	13.3	36,566	15,412
		1980-81	1908.74	70.8	14.1	31,475	
Ogdensburg		1982-83	2194.00	67.1	14.9	37,964	21,921
		1981-82	2048.70	72.2	13.9	34,915	19,571
		1980-81	1940.73	73.1	13.7	31,746	
Mechanicville	150000	1982-83	2460.11	65.9	15.2	61,482	38,498
		1981-82	2423.44	67.3	14.9	58,112	34,840
		1980-81	2205.83	64.4	15.5	50,854	
Saratoga Spr.		1982-83	2099.62	61.1	16.4	68,103	28,073
		1981-82	2153.81	61.8	16.2	62,524	24,959
		1980-81	1950.05	61.0	16.4	58,221	
Schenectady	2000000	1982-83	2655.67	71.3	14.0	76,246	43,724
	945000	1981-82	2544.90	70.1	14.3	71,765	38,595
		1980-81	2388.50	69.3	14.4	66,752	
Corning	400000	1982-83	2697.43	70.7	14.2	75,422	36,040
	100000	1981-82	2412.14	69.7	14.3	67,785	32,248
		1980-81	2201.54	67.5	14.8	61,144	
Hornell	75000	1982-83	2193.19	60.0	16.7	39,163	22,735
	50000	1981-82	1953.56	61.7	16.2	39,346	21,641
		1980-81	1643.31	62.3	16.1	39,124	
Ithaca	100000	1982-83	2530.14	69.9	14.3	102,334	44,735
	75000	1981-82	2428.70	65.4	15.3	95,883	40,374
		1980-81	2364.27	73.1	13.7	84,530	

Table I

Kingston	3000000	1982-83	3045.79	73.9	13.5	76,998	38,503
	2900000	1981-82	2704.49	71.5	14.0	71,474	33,878
	200000	1980-81	2519.30	69.4	14.4	67,278	
Glens Falls	150000	1982-83	2656.48	69.1	14.5	66,914	34,485
		1981-82	2412.57	67.7	14.8	59,423	30,153
		1980-81	2179.57	67.3	14.9	52,101	
Glens F. Com.		1982-83	3593.75	103.2	9.7	101,021	25,519
		1981-82	2379.63	69.4	14.4	89,061	23,190
		1980-81	2490.95	72.8	13.7	82,534	
Hendrick Hud.		1982-83	4556.80	86.0	11.6	279,061	35,556
		1981-82	4579.07	87.7	11.4	271,978	30,921
		1980-81	3849.68	82.3	12.2	269,166	
Mt. Vernon	5900000	1982-83	3177.14	72.4	13.8	77,189	40,690
	5900000	1981-82	3336.74	69.6	14.4	71,356	35,788
	4900000	1980-81	3066.46	69.4	14.4	68,917	
New Rochelle	4500000	1982-83	4312.65	77.9	12.8	128,157	72,908
	4200000	1981-82	4130.51	78.7	12.7	122,520	64,813
		1980-81	3563.68	75.2	13.3	117,988	
Peekskill	3150000	1982-83	3501.93	73.9	13.5	52,525	46,577
	2000000	1981-82	3080.67	73.9	13.5	52,483	41,769
	1900000	1980-81	3156.89	71.5	14.0	46,516	
Rye		1982-83	4302.40	89.3	11.2	160,409	124,416
		1981-82	3692.34	95.1	10.5	146,988	112,199
		1980-81	3308.86	75.5	13.3	127,391	
Rye Neck		1982-83	5053.32	96.4	10.4	139,057	28,219
		1981-82	3910.72	91.0	11.0	129,246	25,736
		1980-81	3471.06	88.5	11.3	116,405	
White Plains	1200000	1982-83	4313.71	81.8	12.2	206,705	85,375
		1981-82	4232.39	83.9	11.9	185,338	75,142
		1980-81	4064.36	81.6	12.3	166,418	

Some city school districts also obtain revenues from sales and utility taxes while others do not. Although seven counties currently share sales tax receipts with school districts located within the county, Erie County is the only one of the seven that includes small cities. A maximum tax rate of 3% may be assessed on consumer utility use by school districts located in small cities. Thirteen districts currently collect taxes from this source.

These additional taxes may not only cause an unequal tax burden, but, in terms of revenue, these additional taxing efforts reduce the shortfall of revenue for the districts receiving sales and utility taxes and lessen their apparent need for aid relative to districts that do not obtain revenue from these types of taxes.

Some districts also appear to be more successful in managing funds to produce interest revenue. In the revenue shortfall approach, such revenue as well as all other extraordinary revenue such as from gifts or the sale of a building simply reduce the apparent need for Hurd Aid in that particular year. With this method, there is no apparent reward for efficiency or economy, and this extraordinary revenue skews the pattern of need for Hurd Aid.

Problems of the Shortfall Approach

There are several problems in attempting to determine the need for Hurd Aid on the basis of the shortfall of school district revenue to meet district expenditures. The most evident problems, methodological and technical, are listed below:

Problems Concerning Expenditures

- Some district encumbrances are not paid until the subsequent year. This may make expenditures in the second year appear higher than they otherwise would be.

- All expenditures that can be claimed as excludable may not be identified as such. If this occurs, the district does not raise all of the taxes that it legally could raise, but nonetheless appears to be taxing at its limit.

- Districts have varying levels of annual expenditure increases depending on many factors including negotiated salary increases, which at times, are retroactive; the level and variety of services provided to students; and enrollment.

- Some city school districts support community libraries and one provides support for a community college. These expenditures are subject to the tax limit and reduce the amount of revenue available for school purposes.

Problems Concerning Revenues

- Revenue raised as excludable but not spent for an excludable purpose might be available for school district use through a reserve account but would not be included as revenue subject to the tax limit.

- Deferred taxes are treated inconsistently. In estimating the district tax levy, some districts deduct an amount for anticipated deferred taxes and others do not.

- Fund balances include both appropriated and unappropriated funds. Although only 2% of the balance can be unappropriated legally, in practice the actual amount often is larger. This additional revenue should be applied to revenues for the subsequent year, but it may not be known or included in studies undertaken at an early date. Unexpected fund balances could be the result of reduced need for heating, higher tuition revenue, enrollment decline, as examples.

- Interest earned on school district deposits is included as revenue in the studies. However, cash management expertise varies from district to district and money market rates change so this revenue may be estimated incorrectly with the resultant effect of a greater or lesser need indicated on shortfall studies than there actually should be.

- Sales of school district property, gifts and other revenue that may or may not be anticipated can alter the financial picture of a district in any particular year, and may change the year by year pattern of apparent need.

- The sale of property owned by senior citizens changes the tax exempt status of such property, returning the exempted property to the tax rolls subjecting it to the tax limit which is based on undaltered five-year average full value.

Problems of Timing

- State aid estimates may be adjusted subsequent to the gathering of data for a study.

- BANS aid is not estimated at the same time as other State aid but at a much later date.

- The five-year average full value to which the tax limit is applied in the studies is tentative and based on outdated market surveys and growth rates. Consequently, there is a lag in the adjustment of the averages to property values. Some districts appear to have a tax margin which will not exist once the averages are finalized.

- Although the studies utilize the five-year average full values as determined by the Department of Equalization and Assessment to arrive at a levy limit, the school district levies are computed on the basis of single year valuations. Different districts also levy against assessment rolls from different years.

- Significant changes can occur after expenditures are estimated. As an example, many districts are experiencing steeper increases in health insurance premiums than were previously anticipated.

Other Issues and Approaches

There are several other issues to consider, and alternative approaches that could be taken, in examining school district needs and the effect of the property tax limits.

Educational costs and the provision of necessary educational services are matters of some complexity when examined closely. School districts do not, of course, operate in isolation but rather, operate within economic regions. They both have an impact on, and are impacted by, economic forces in that region. The cost of living in the region, and the supply and demand for goods and services, affect educational costs. Energy and transportation needs vary. Some enlarged city districts provide extensive transportation services but other city districts do not. There is, to some extent, a labor market for potential teachers within an economic region and competition for those individuals not only among school districts, city and noncity, but also with noneducational agencies and industries when teachers have desired specialized skills.

As current teaching personnel continue to add to their years of service, and with relatively fewer new teachers entering the profession because of the declining pupil enrollments of the past decade, relatively more teachers are at the higher end of the salary schedule than at the lower end. This situation will change as enrollments begin to rise again, and as older teachers retire and are replaced. However, individual school districts may have, and will continue to have, a greater proportion of experienced and, therefore, more expensive teachers on staff. Whether city school districts have a greater or lesser proportion of such teachers as a group or individually, this would affect costs.

There is also the issue of educational overburden. This refers to higher concentrations in a school district of pupils who require additional services including the disadvantaged, the handicapped, and those with a native language other than English. The additional services needed by these pupils add to the cost of education and these additional costs may not be completely offset by weighted State aid and categorical

Federal aid. It may be that most city school districts have larger concentrations of such pupils and possibly greater costs as a result.

There are also matters of equity. Equity can be viewed from different perspectives. One concerns expenditure equity in which equalized opportunities for pupils might be enhanced through equivalent financial resources per pupil from one district to another. Another is taxpayer equity whereby differences in community tax effort and wealth are recognized.

Educational opportunities for pupils might be expressed by approved operating expenditures (AOE) per pupil and by professional school staff per thousand pupils or the ratio of pupils to professional staff. These figures for each of three years are also included on Table I for the school districts located in small cities. Although expenditures of basic formula State aid are included in the AOE, special or categorical State aid appropriations are not. While the AOE provides a measure of the basic financial resources available to the district, it is not a full measure of financial resources in those districts that receive magnet school aid, pre-kindergarten aid, other special legislative appropriations, and certain types of Federal aid, all of which are deducted from AOE.

Basing approved operating expenditures on total aidable pupil units (TAPU) provides for weighting adjustments for pupils with special educational needs, handicapped pupils and secondary pupils. However, this may or may not fully compensate for the added costs of these pupils.

Regional cost differences make city to city comparisons of limited usefulness except where cities are located in the same general region. However, cross regional comparisons do underscore the regional cost differences. To some extent, cost differences may be related to differences in community taste or demand for educational services.

All of the small city school districts in Nassau and Westchester Counties had a 1982-83 AOE/TAPU that exceeds $3,000 but only six other small city districts do. Two of these are in Erie County; three are in the Hudson Valley Region; and, the sixth is a small district of less than 200 students.

Costs may be influenced to some extent by size. Certain costs for services such as administration and maintenance are fairly fixed or constant within a broad range of school enrollment. This is known as economy of scale because the per pupil amount for basic services can be divided by a larger number of recipients of service. On the other hand, some research has found that salaries increase as size increase.

It does not appear that pupil population concentration is an absolute indicator of AOE/TAPU. Niagara Falls and Utica are relatively larger districts and have below average AOE/TAPU compared to other individual districts and to the State average of $2,900. However, AOE/TAPUs are low; in fact, below the State average, for all districts in the counties in which these districts are located. Hence, we might conclude that regional cost or taste factors are of more significance in determining per pupil expenditures than are population levels.

Several other small city districts that receive no Hurd Aid have very low AOE/TAPU amounts. However, these same districts have been shown in previous studies to be taxing below their Constitutional limit. It would seem, in situations such as this, that the tax limit is not the cause for low spending.

Table II indicates how the small city school districts rank in their respective counties in AOE/TAPU for the past three years. Several of these districts rank high in comparison to neighboring districts. Many are, and have been, among the leading spenders in their county using this measure. Some districts, taxing at their limit, are among the low spenders in their counties.

Table II

RANKINGS OF SMALL CITY SCHOOL DISTRICTS
IN THEIR RESPECTIVE COUNTIES
BY APPROVED OPERATING EXPENDITURES

County	# of Districts in County	School District Name	AOE/TAPU 1982-83	AOE/TAPU 1981-82	AOE/TAPU 1980-81
Albany	13	Albany	5	3	3
		Cohoes	13	12	12
		Watervliet	7	9	7
Broome	12	Binghamton	2	2	1
Cattaraugus	15	Olean	2	1	3
		Salamanca	8	4	5
Cayuga	7	Auburn	6	5	1
Chautauqua	19	Dunkirk	11	14	10
		Jamestown	12	16	7
Chemung	3	Elmira	1	1	1
Chenango	10	Norwich	5	4	4
Clinton	9	Plattsburgh	2	2	5
Columbia	7	Hudson	6	3	5
Cortland	5	Cortland	4	3	1
Dutchess	15	Beacon	8	11	11
		Poughkeepsie	4	2	1
Erie	29	Lackawanna	3	3	4
		Tonawanda	4	6	6
Fulton	9	Gloversville	1	2	1
		Johnstown	6	7	4
Genesee	8	Batavia	1	1	1
Herkimer	11	Little Falls	5	4	3
Jefferson	12	Watertown	8	7	5
Madison	10	Oneida	7	7	10
		Stockbridge	8	10	9
Montgomery	5	Amsterdam	1	1	1

Table II

County	# of Districts in County	School District Name	AOE/TAPU 1982-83	AOE/TAPU 1981-82	AOE/TAPU 1980-81
Nassau	56	Glen Cove	50	40	40
		Long Beach	40	44	47
Niagara	10	Lockport	10	10	10
		Niagara Falls	5	1	1
		No. Tonawanda	9	9	5
Oneida	18	Rome	10	15	11
		Sherrill	16	17	16
		Utica	11	8	6
		Westmoreland	6	11	8
		Oriskany Central	12	13	12
Ontario	9	Canandaigua	8	7	7
		Geneva	2	1	1
Orange	17	Middletown	7	6	6
		Newburgh	3	5	3
		Port Jervis	12	14	14
Oswego	9	Fulton	2	2	2
		Oswego	1	1	1
Otsego	13	Oneonta	1	2	1
Rensselaer	13	Lansingburgh	9	7	7
		Rensselaer	10	8	10
		Troy	4	2	3
St. Lawrence	18	Lisbon	12	8	13
		Ogdensburg	13	14	11
Saratoga	12	Mechanicville	7	2	2
		Saratoga Springs	11	7	8
Schenectady	7	Schenectady	5	3	2
Steuben	17	Corning	1	2	2
		Hornell	8	10	9
Tompkins	7	Ithaca	3	2	2
Ulster	10	Kingston	5	4	4

Table II

County	# of Districts in County	School District Name	AOE/TAPU 1982-83	AOE/TAPU 1981-82	AOE/TAPU 1980-81
Warren	9	Glens Falls	7	4	6
		Glens Falls Common	2	6	3
Westchester	48	Hendrick Hudson	13	4	13
		Mt. Vernon	39	33	36
		New Rochelle	20	16	24
		Peekskill	36	39	34
		Rye	21	27	31
		Rye Neck	6	22	28
		White Plains	19	12	7

To relate expenditures to services, reference is made to the number of professional staff per thousand pupils and the pupil to staff ratio on Table I. The relationship is not entirely a direct one. There are many instances of inverse relationships. In Albany County, for example, Cohoes has a lower AOE/TAPU than Watervliet and yet has more staff per thousand and a lower pupil to staff ratio. The same type of situation can be found among small city school districts in Cattaraugus, Fulton, Nassau, Oneida, Orange, Oswego, Rensselaer, St. Lawrence and Westchester Counties.

These situations within counties cannot be explained by cost differences on a regional level but must be due to other factors such as efficient management, the cycle of teacher contract settlements, retroactive costs and others. Also, professional staff includes administrators, guidance personnel and other pupil personnel services as well as classroom teachers. The proportion of nonteaching professional staff will vary from district to district and the percentage of special needs pupils often affects pupil to staff ratios.

Another important issue that was examined was the matter of relative school district wealth. County rankings of small city school districts on Table III by the wealth measure of Income/TWPU and FV/TWPU appear to indicate that the city districts are generally more wealthy than their neighboring districts. However, there are notable exceptions and some districts appear to be relatively more wealthy by income and yet less wealthy by property full value. There may also be problems in the determination of wealth because some people who reside outside a city district may have a city post office address and be erroneously included in the city school district income wealth.

Table III

RANKINGS OF SMALL CITY SCHOOL DISTRICTS
IN THEIR RESPECTIVE COUNTIES
BY 1982-83 WEALTH MEASURES

County	# of Districts in County	School District Name	Income/TWPU	FV/TWPU
Albany	13	Albany	3	3
		Cohoes	9	13
		Watervliet	5	12
Broome	12	Binghamton	1	3
Cattaraugus	15	Olean	1	3
		Salamanca	5	14
Cayuga	7	Auburn	1	4
Chautauqua	19	Dunkirk	3	3
		Jamestown	7	16
Chemung	3	Elmira	1	3
Chenango	10	Norwich	1	3
Clinton	9	Plattsburgh	1	1
Columbia	7	Hudson	1	5
Cortland	5	Cortland	1	1
Dutchess	15	Beacon	5	10
		Poughkeepsie	2	12
Erie	29	Lackawanna	10	10
		Tonawanda	3	19
Fulton	9	Gloversville	1	9
		Johnstown	2	5
Genesee	8	Batavia	1	1
Herkimer	11	Little Falls	2	5
Jefferson	12	Watertown	1	7
Madison	10	Oneida	3	8
		Stockbridge	8	10
Montgomery	5	Amsterdam	1	2

Table III

County	# of Districts in County	School District Name	Income/TWPU	FV/TWPU
Nassau	56	Glen Cove	19	26
		Long Beach	27	40
Niagara	10	Lockport	2	2
		Niagara Falls	3	3
		No. Tonawanda	4	6
Oneida	18	Rome	7	8
		Sherrill	15	12
		Utica	5	4
		Westmoreland	12	14
		Oriskany Central	11	13
Ontario	9	Canandaigua	2	6
		Geneva	1	4
Orange	17	Middletown	2	8
		Newburgh	10	12
		Port Jervis	12	9
Oswego	9	Fulton	2	2
		Oswego	1	1
Otsego	13	Oneonta	1	3
Rensselaer	13	Lansingburgh	6	11
		Rensselaer	4	9
		Troy	2	10
St. Lawrence	18	Lisbon	8	11
		Ogdensburg	4	14
Saratoga	12	Mechanicville	2	6
		Saratoga Springs	6	3
Schenectady	7	Schenectady	3	3
Steuben	17	Corning	1	2
		Hornell	5	15
Tompkins	7	Ithaca	1	2
Ulster	10	Kingston	1	6

Table III

County	# of Districts in County	School District Name	Income/TWPU	FV/TWPU
Warren	9	Glens Falls	1	7
		Glens Falls Common	4	5
Westchester	48	Hendrick Hudson	37	3
		Mt. Vernon	36	38
		New Rochelle	14	27
		Peekskill	34	40
		Rye	3	11
		Rye Neck	39	21
		White Plains	7	4

Many of the city school districts rank high in their counties on both measures of wealth and have a high AOE/TAPU and low pupil to staff ratios. Certain others, that appear to be relatively more wealthy in their counties, are not high AOE/TAPU districts compared to neighboring districts.

The purpose of this paper has been to point out some problems in the revenue shortfall approach in identifying the need for Hurd Aid, to explain some of the complexity of school expenditures and revenues, and to suggest other approaches in analyzing the need for Hurd Aid.

Some of the small city school districts, which do not tax at their limit, are exercising their right to choose to contain expenditures. For those that tax at the limit, it might be useful to examine expenditures and revenues with regard to matters of economy and efficiency. It might be useful for the State to provide technical assistance to the small city school districts, in particular, to assist them in expenditure and revenue matters and perhaps reduce shortfall amounts.

There are still other issues that should be explored and which may indicate need for certain other assistance that relates more to educational programs than to funding. Pupil attendance and standardized test score results are examples.

Perhaps the Hurd Aid program needs a sharper focus. Is equity, in terms of educational opportunities for pupils and the tax burden, an objective of the program? Approved operating expenditures per TAPU varies considerably and in many city school districts compares quite favorably to other districts in the same county. However, this does not really indicate what the educational program offerings might be. Some districts may not offer foreign languages or art in the lower grades or broad student access to computer instruction, while others may offer a wider variety of course

offerings and other services such as guidance and health. Are some city school districts enabled to offer greater variety in education and depth of services because they receive Hurd Aid? Do others contend with a leaner educational program out of choice or out of necessity?

The tax burden is obviously not equal among the small city school districts because of the existence of differing local tax limits, an inconsistent use of sales and utility taxes to benefit these districts and school management decisions. Some districts may not claim all of their possible excludable items as excludable. This has the effect of decreasing the total amount of revenue that can be raised under the tax limit. Certain districts raise revenue from interest on bank deposits more effectively than others. It might be worthwhile to solicit from, and encourage the small city school districts in the best management practices to possibly reduce both the tax burden and the need for Hurd Aid.

There is also the question of the tax burden of small city school districts compared to their neighboring districts which operate without a Constitutional tax limit. Hurd Aid may actually be disequalizing where a city school district is enabled to spend at a higher per pupil level and at a lower tax rate than a noncity district of comparable, or even lesser, wealth.

Summary and Recommendations:

The most apparent solution to problems caused by the constitutional tax limits, and one which has been recommended by several studies and groups, would be a constitutional amendment to remove the limits.

Assuming that such an amendment will not be soon enacted, and that Hurd aid to small city school districts will continue, it might be worthwhile to consider how matters of equity pertain to this aid program.

Hurd aid should be based on educational need and tax effort, and not entirely on estimated revenue shortfall. The aid should not give certain school districts a spending or taxing advantage over their neighboring districts. There are many noncity school districts that have urban economic and social characteristics that are similar to those of the city school districts. Educational overburden exists in some of these noncity districts also. If the premise of an aid program is going to be that aid is needed because of educational overburdens, the aid program should not be limited to city school districts.

Specific recommendations for an aid program to small city school districts are:

1. To be eligible for a grant, a small city school district must demonstrate a tax effort at least equal to the county or regional average tax effort. Such effort should be defined by the actual property tax rate plus any sales and utility taxes. Sales and utility taxes could be converted to a property tax equivalent to enable district to district comparisons of tax efforts.

2. Small city school districts that meet the tax effort criteria and have a pupil/staff ratio that is below the county or regional average should receive a grant to expand educational opportunities for pupils.

3. District expenditures for community libraries should be either not permitted or not included in the tax effort calculation to make the school tax effort more similar for each of the small city school districts.

4. Workshops should be offered to all small city school districts to assist in the efficient management of excludables, fund balances, interest income and budget projections.

5. There should be a relationship between the AOE/TAPU that Hurd aid makes possible in a small city school district and the average AOE/TAPU for the county or region in which the school district is located.

6. End of the year audits should be conducted and form the basis for adjustments to grant amounts where grant eligibility has not been met or grant amounts have been demonstrated to be incorrect because of underestimations of fund balances or revenues or other estimates which affect the tax effort.